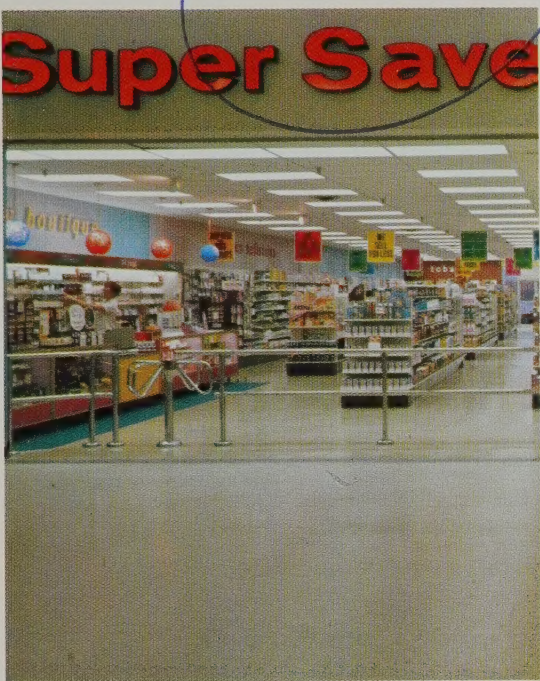




Sub

G. TAMBLYN, LIMITED 1970 ANNUAL REPORT

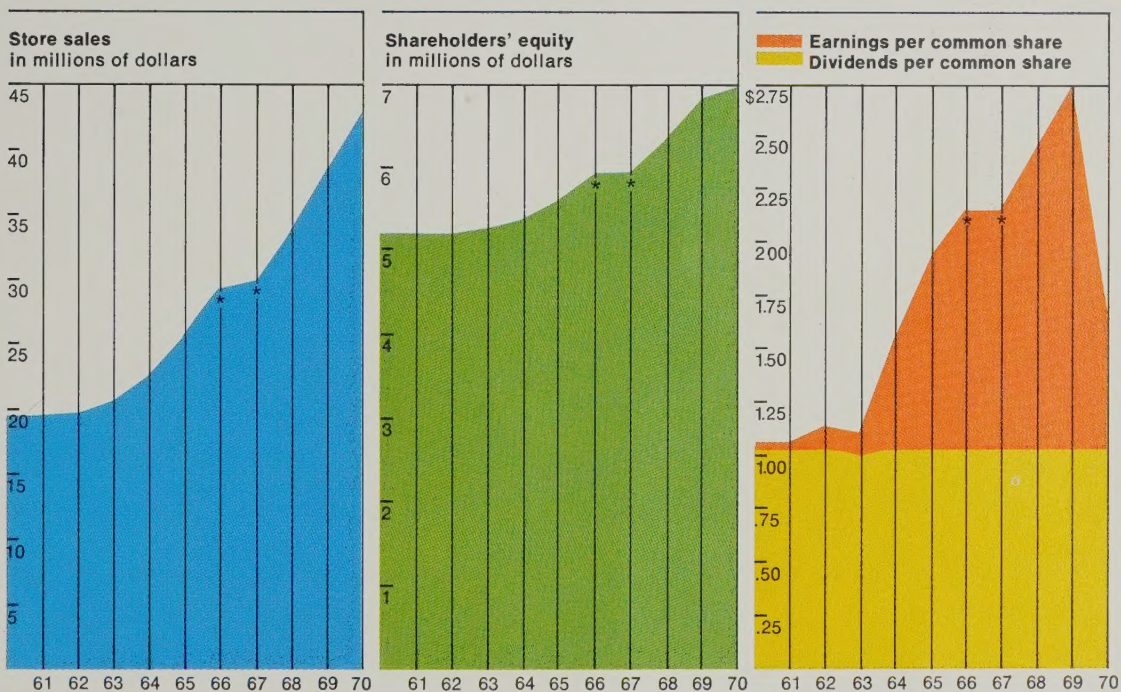


Super Save drug x mart



HIGHLIGHTS OF THE YEAR

	Year ended March 28 1970	Year ended March 29 1969
Store Sales	\$42,752,354	\$38,132,056
Net Earnings	501,419	798,802
Earnings per Common Share	1.70	2.75
Dividends per Common Share	1.05	1.05
Capital Expenditures	850,402	1,016,286
Common Shareholders' Equity	6,484,972	6,307,059
Equity per Common Share	22.90	22.27
Number of stores at end of year	162	156



*In 1968 the year end was changed to the Saturday nearest to March 31. To permit comparison on a twelve month basis, the statistics shown are for twelve month periods ended March 30, 1968 and March 31, 1967. It should be noted that the twelve month period to March 31, 1967 includes the last nine months of the year ended December 31, 1966.

Super Save Drug Mart entrance presents a modern, spacious and colourful invitation to shoppers.

Spacious aisles and mass-displayed merchandise within easy sight and reach of shoppers.

Qualified cosmeticians add a professional touch to Beauty Boutique.



TO OUR SHAREHOLDERS

On behalf of the Board of Directors we are pleased to report the continued progress of G. Tamblyn, Limited.

Your Company increased sales 12.1% to a new high of \$42,752,000 over the previous year. Net income for the year under review was \$501,000 which, after providing for dividends on preferred shares, was \$1.70 per common share, as compared to \$2.08 for the year ended March 29, 1969, after excluding \$189,196 or .67¢ per common share income from extraordinary items resulting from expropriation of real estate in 1969.

Dividends were paid at the rate of \$2.00 on each preferred and \$1.05 on each common share and after providing \$317,406 for such dividends, the balance of earnings for the year of \$183,594 was retained in the business for future development. Common Shareholders' equity increased to \$6,485,000, or \$22.90 per share.

Growth during the period under review continued at an accelerated pace and will have a significant effect on future earnings. While the sales increase was above the national average, the increased tempo of competition still forced a decrease in retail prices. Profit margins were affected and, as a result, operating income did not keep pace with the sales trend.

NEW DEVELOPMENT

During the past year thirteen new stores were opened and fourteen existing ones were remodelled, bringing them to new-store efficiency. Six small branches with low potential were closed. During the latter part of the year plans were formulated for the foundation of a brand new concept in retail drug merchandising. The Super Save Drug Mart division was established under a

General Manager and the first stores were opened in April of this year. We are pleased to include photos of these new Super Save Drug Mart stores in this report. Considerably larger than the average Tamblyn store, these new units present a mass merchandising facility for easier, more convenient shopping and, at the same time, emphasize discount pricing.

Including four new stores and the conversion of a number of larger Tamblyn stores, there are now twenty-four stores operating as Super Save Drug Marts. We expect to have about thirty-five in this division by the end of the calendar year. Customer response has been excellent, sales have increased beyond our expectations and while it is too early to make specific comments, we know a major contribution will be made by these stores to the Company's future operating results. While the introduction of these new stores received widespread consumer acceptance, it also had a very stimulating effect on all Company personnel. The reaction in the trade in general and from our suppliers of merchandise in particular, has been most gratifying.

Studies of growth patterns are being maintained to point up where new developments are likely to take place. Many new sites are under negotiation and it is anticipated that fourteen large, new units will be opened during the present fiscal year. We will continue our policy of closing small units that have no potential.

During the latter part of the fiscal year significant advancement was made in modernizing the packaging design of our Private Brand merchandise. We have now reached the point where these high quality products can be merchandised in all our

retail outlets. Continued research is being done and new items will be added in any category of merchandise where high potential sales and profits are indicated.

Operating results in our Western Division have not been favourable for some time. A very detailed examination of this division, including warehouse and office, was conducted in the latter part of last year. It pointed out the need for centralization of our facilities, both warehouses and offices. Work began in April of this year and by the first of May both the Western office and warehouse had been integrated with our central plant in Willowdale. The additional volume, as a result of this move, necessitated a major reorganization of our central warehouse. This was accomplished by the first of July and we have now one of the most completely stocked, modern and economical operations in the drug field.

Prepaid prescription plans are increasing coverage to the general public and because of your Company's policy of providing the highest standard of professional service, we have enjoyed better than average growth in this very important department.

BOARD OF DIRECTORS

It is with deep regret that we record the death in August of 1969 of Mr. Robert S. Klegon. Mr. Klegon was a valued member of our Board and highly respected by all who knew him.

OUTLOOK

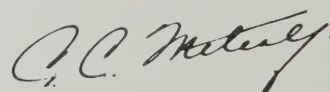
Sales for the first quarter showed an increase of about 13%, slightly over forecast, and, while the economic prospects for 1970 are still uncertain, your Company is planning for a year of growth and in-

creased earnings.

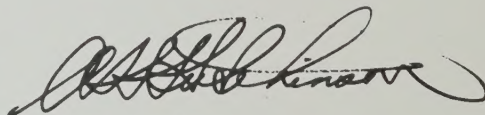
We are particularly encouraged by the new Super Save Drug Mart Division. Since such a major program must be scheduled over several months, the full impact will not be felt until our next fiscal year. Couple with this the new openings and further conversions from Tamblyn to Super Save Drug Mart, and we have reason to be optimistic about the future.

We should add that the many retirements at the management level over the past two years provided an opportunity to promote some of our experienced and competent personnel who are making substantial contributions to the progress of your Company.

Being a service organization the achievements during the past year could not have been attained without the loyalty, initiative and dedicated co-operation of all concerned in our business. We extend the Company's sincere appreciation to the pharmacists and other employees in its 164 stores from St. John's, Newfoundland to Vancouver, as well as in the office and warehouse. We are also appreciative of the co-operation received from our suppliers.



Chairman of the Board



President and General Manager

July, 1970



G. TAMBLYN, LIMITED AND SUBSIDIARY

ASSETS	March 28 1970	March 29 1969
Current assets		
Cash	\$ 333,537	\$ 290,026
Accounts receivable	1,350,035	1,117,452
Inventories, valued on the basis of approximate cost which is not in excess of net realizable value	10,098,228	8,846,811
Prepaid expenses	78,854	93,486
	11,860,654	10,347,775
Fixed assets, at cost		
Buildings	1,553,129	1,553,129
Furniture and fixtures	5,242,284	4,891,010
Automobiles	108,527	102,126
Leasehold improvements	1,473,149	1,252,265
	8,377,089	7,798,530
Less accumulated depreciation and amortization	4,119,559	3,829,444
	4,257,530	3,969,086
Land	428,386	428,386
	4,685,916	4,397,472
Miscellaneous advances	14,128	22,430
Goodwill	1	1
	\$16,560,699	\$14,767,678

Approved by the Board
A. H. Hutchinson, Director
N. S. Robertson, Director

AUDITOR'S REPORT

To the Shareholders of G. Tamblyn, Limited

We have examined the consolidated balance sheet of G. Tamblyn, Limited as at March 28, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial

COMPANIES/CONSOLIDATED BALANCE SHEET

LIABILITIES	March 28 1970	March 29 1969
Current liabilities		
Bank advances	\$ 4,640,010	\$ 3,772,554
Accounts payable and accrued liabilities	3,250,203	2,401,455
Income taxes payable	14,666	92,762
Dividends payable	61,648	61,648
	7,966,527	6,328,419
Debenture debt (note 1)	1,230,000	1,305,000
Deferred income taxes	379,200	327,200
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized		
15,000 4% Cumulative voting preferred shares, par value \$50, redeemable at \$51.50 per share		
400,000 Common shares without par value		
Issued		
10,000 Preferred shares	500,000	500,000
283,244 Common shares	1,064,190	1,064,190
	1,564,190	1,564,190
Excess of book value of net assets over the cost of the shares of subsidiary companies	132,633	138,733
Retained earnings	5,288,149	5,104,136
	6,984,972	6,807,059
	\$16,560,699	\$14,767,678

REPORT

statements present fairly the financial position of the companies as at March 28, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Gunn, McKinnell & Christenson

Toronto, Canada, May 22, 1970 Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

	Year ended March 28 1970	Year ended March 29 1969
Store sales	\$42,752,354	\$38,132,056
Costs and operating expenses		
Cost of goods sold	28,441,867	25,000,314
Expenses other than the undernoted	12,392,893	11,149,518
Depreciation of buildings and equipment	404,139	387,816
Amortization of leasehold improvements	108,898	92,705
Interest on long term indebtedness	65,968	77,115
Bank and other interest	298,670	159,482
	41,712,435	36,866,950
Income before income taxes and extraordinary items	1,039,919	1,265,106
Income taxes (including amounts applicable to future years 1970, \$52,000; 1969, \$34,514)	538,500	655,500
Income before extraordinary items	501,419	609,606
Extraordinary items (note 2)		189,196
Net income for the year	\$ 501,419	\$ 798,802
Earnings per common share		
Income before extraordinary items	\$1.70	\$2.08
Net income for the year	\$1.70	\$2.75

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended March 28 1970	Year ended March 29 1969
Balance at beginning of year	\$ 5,104,136	\$ 4,622,740
Net income for the year	501,419	798,802
	5,605,555	5,421,542
Dividends on		
Preferred shares	20,000	20,000
Common shares (\$1.05 per share)	297,406	297,406
	317,406	317,406
Balance at end of year	\$ 5,288,149	\$ 5,104,136

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended March 28 1970	Year ended March 29 1969
Source of funds		
Operations		
Income before extraordinary items	\$ 501,419	\$ 609,606
Add items not involving current funds		
Depreciation of buildings and equipment	404,139	387,816
Amortization of leasehold improvements	108,898	92,705
Deferred income taxes	52,000	34,514
Other	16,285	9,919
	1,082,741	1,134,560
Funds from disposal of fixed assets	32,636	545,412
Net reduction in miscellaneous advances	8,302	77,369
	1,123,679	1,757,341
Application of funds		
Additions to fixed assets	850,402	1,016,286
Reduction in debenture debt	75,000	265,000
Dividends	317,406	317,406
Payment for surrender of lease, less applicable income tax reduction		13,855
Other	6,100	
	1,248,908	1,612,547
Increase (decrease) in working capital	(125,229)	144,794
Working capital at beginning of year	4,019,356	3,874,562
Working capital at end of year	\$ 3,894,127	\$ 4,019,356

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 28, 1970

1 Debenture debt	March 28 1970	March 29 1969
Sinking fund debentures		
Series A — 4%, maturing April 1, 1975, entitled to annual sinking fund deposits of \$50,000	\$ 175,000	\$ 175,000
Series B — 5¼ %, maturing April 1, 1978, entitled to annual sinking fund deposits of \$65,000	520,000	545,000
Series C — 5½ %, maturing April 1, 1982, entitled to annual sinking fund deposits of \$45,000	535,000	585,000
	<u>\$1,230,000</u>	<u>\$1,305,000</u>

Sinking fund requirements are being met by the purchase and cancellation of Sinking Fund Debentures. As at March 28, 1970 debentures purchased in excess of the requirement for April 1, 1970 amounted to \$80,000. The excess will be applied to reduce required payments of future years.

2 **Extraordinary items**

The extraordinary items for the year ended March 29, 1969 consist of:

Net gain resulting from expropriation of real estate (including reduction of deferred income taxes — \$46,914)	\$ 203,051
Less payment to lessor in respect of lease cancellation (after reduction of current income taxes — \$15,883)	13,855
	<u>\$ 189,196</u>

3 **Long term leases**

There were 72 real estate leases in effect at March 28, 1970, which extend for periods longer than five years from that date. The aggregate minimum rentals to be paid under these leases are as follows for each of the periods shown:

1971-1975	\$5,229,587
1976-1980	4,007,982
1981-1985	1,875,186
1986-1990	839,118
	<u>11,951,873</u>

Rental expense for the year ended March 28, 1970, in respect of long term leases amounted to \$1,273,987 including rentals based on a percentage of sales (exclusive of taxes, insurance and other occupancy charges).

4 **Remuneration of directors and senior officers**

Remuneration of directors and senior officers including \$113,272 paid to directors (\$160,963 in 1969) amounted to \$152,097 for the year ended March 28, 1970 (\$181,855 in 1969).

DISTRIBUTION OF INCOME

Year ended March 28, 1970

	\$	%
Store Sales	42,752,354	100.00
Merchandise and supplies	28,441,867	66.53
Salaries and employee benefits	7,362,436	17.22
Operating expenses	5,378,822	12.58
Advertising and promotion	529,310	1.24
Income taxes	538,500	1.26
Dividends	317,406	.74
Retained in the company	184,013	.43
	42,752,354	100.00

TEN YEAR STATISTICAL REVIEW

	Mar. 28 1970	Mar. 29 1969	Mar. 30 1968	Mar. 31 1967
Number of stores at end of year	162	156	154	145
New stores added during year	13	14	11	12
Store Sales	\$42,752,354	\$38,132,056	\$33,563,855	\$29,955,825
Net earnings	501,419	798,802	712,969	628,430
Dividends on preferred shares	20,000	20,000	20,000	20,000
Earnings per common share	1.70	2.75	2.45	2.15
Dividends per common share	1.05	1.05	1.05	1.05
Total dividends	317,406	317,406	317,406	317,406
Working capital	3,894,127	4,019,356	3,874,562	3,697,376
Net book value of real estate, equipment and improvements	4,685,916	4,397,472	4,260,901	4,255,303
Capital expenditures for store equipment and improvements	850,402	1,016,286	462,880	451,934
Long term mortgage and debenture debt	1,230,000	1,305,000	1,570,000	1,790,000
Common shareholders' equity	6,484,972	6,307,059	5,825,663	5,430,100
Equity per common share	22.90	22.27	20.57	19.17

In 1968 the year end was changed to the Saturday nearest to March 31. To permit comparison on a twelve month basis, the statistics shown are for twelve month periods ended March 30, 1968 and March 31, 1967. It should be noted that the twelve month period to March 31, 1967 includes the last nine months of the year ended December 31, 1966. The figures shown above for the years 1961 to 1963 have been adjusted to reflect the provision for income taxes which were deferred in those years. The provision for these deferred income taxes, formerly disclosed in a note to the Balance Sheet, was made in the year 1964.

Dec. 31 1966	Dec. 31 1965	Dec. 31 1964	Dec. 31 1963	Dec. 31 1962	Dec. 31 1961
145	140	137	133	134	134
12	6	7	5	5	4
\$29,175,949	\$25,460,478	\$22,599,018	\$20,735,641	\$19,879,310	\$19,830,260
627,891	567,633	459,565	334,602	346,180	324,685
20,000	20,000	20,000	20,000	20,000	20,000
2.15	1.93	1.55	1.11	1.15	1.08
1.05	1.05	1.05	1.00	1.05	1.05
317,406	317,406	317,406	303,244	317,406	317,406
3,617,785	3,631,597	3,336,523	3,748,369	3,730,232	2,929,887
4,305,534	4,151,893	4,152,209	3,922,729	4,059,625	4,062,557
621,112	529,592	751,236	288,254	422,921	626,025
1,790,000	1,950,000	2,114,599	2,310,275	2,480,462	1,725,181
5,401,480	5,090,995	4,840,768	4,723,558	4,692,200	4,692,676
19.07	17.97	17.09	16.68	16.57	16.57

BOARD OF DIRECTORS

G. J. W. Brydon, Phm.B.

O. L. Christie, Phm.B.

W. B. Downey, Phm.B.

*A. H. Hutchinson, Phm.B.

E. L. Jones, C.A.

*L. S. Mackersy, M.C.

**George C. Metcalf

W. A. Murray, Phm.B.

*N. S. Robertson, Q.C.

E. N. Thompson, Phm.B.

* *Chairman of Executive Committee

*Member of Executive Committee

OFFICERS OF THE COMPANY

Chairman of the Board

George C. Metcalf

President and General Manager

A. H. Hutchinson, Phm.B.

Vice-President

E. N. Thompson, Phm.B.

Secretary-Treasurer

K. G. Allman, C.A.

**STOCK TRANSFER AGENTS
AND REGISTRARS**

Canada Permanent Trust Company,
Toronto

BANKERS

Canadian Imperial Bank of
Commerce

AUDITORS

Thorne, Gunn, Helliwell &
Christenson

HEAD OFFICE

84 Sheppard Avenue East,
Willowdale, Ontario

**CANADA'S
LEADING RETAIL DRUG ORGANIZATION
164 STORES THROUGHOUT CANADA**

**119 stores in
Ontario**

Barrie	1
Belleville	2
Brampton	2
Brantford	1
Brockville	1
Burlington	1
Chatham	2
Clarkson	1
Cornwall	2
Guelph	3
Hamilton	5
Kingston	2
Kitchener	4
London	11
Niagara Falls	2
North Bay	1
Oakville	1
Oshawa	2
Ottawa	7
Owen Sound	1
Peterborough	3
Richmond Hill	1
St. Catharines	3
Sarnia	1
Sault Ste. Marie	2
Stoney Creek	1
Stratford	1
Sudbury	4
Thunder Bay	1
Toronto	40
Waterloo	2
Welland	1
Whitby	2
Windsor	5

**37 stores in
Western Canada**

Alberta	
Calgary	10
Edmonton	11
Lethbridge	2
Red Deer	1
St. Albert	1

Saskatchewan	
Regina	4
Saskatoon	2

British Columbia	
Vancouver	1

Manitoba	
Winnipeg	5

**8 stores in
Eastern Canada**

New Brunswick	
Fredericton	1
Moncton	1
Saint John	1

Newfoundland	
St. John's	1

Nova Scotia	
Dartmouth	1
Sydney	1

Prince Edward Island	
Charlottetown	1

Quebec	
Quebec City	1

PRESCRIPTION

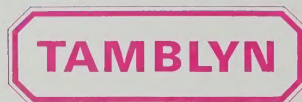


OUR CREDO

For the buying public we believe that we should provide the widest selection of reputable merchandise at the most reasonable prices commensurate with quality, in attractive, convenient surroundings and that we should maintain the highest standards of the profession of pharmacy for the public health and welfare.

For our employees we believe we should provide our employees with the training, security, opportunities and working conditions which enlist their loyalty and promote efficiency in the interests of our customers and the Company.

For our shareholders we believe it is our responsibility to plan our many-sided operations for maximum efficiency and the fullest development of the business opportunities afforded by Canada's expanding population and economy . . . to ensure a fair return to our shareholders and a steady appreciation in the value of their investment which makes this Company possible.



YOUR FAMILY'S HEALTH
IS OUR FIRST CONCERN
